

**CITY COUNCIL OF THE CITY OF SAN DIEGO  
SUPPLEMENTAL DOCKET NUMBER 1  
FOR THE REGULAR MEETING OF  
TUESDAY, JANUARY 16, 2007 AT 10:00 A.M.  
CITY ADMINISTRATION BUILDING  
COUNCIL CHAMBERS – 12<sup>TH</sup> FLOOR  
202 “C” STREET  
SAN DIEGO, CA 92101**

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ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS  
ORDINANCES TO BE INTRODUCED WITH RESOLUTIONS TO BE ADOPTED:

**NOTE:** This item may be taken in the morning session if time permits.

ITEM-S500: Two actions related to Authorization of Contract for Independent Oversight Monitoring Services.

(Citywide.)

(Continued from the meeting of January 9, 2007, Item 331, at the request of Councilmember Frye, for further review.)

**MAYOR SANDERS’ RECOMMENDATION:**

Introduce the ordinance in Subitem A and adopt the resolution in Subitem B:

Subitem-A: (O-2007-87)

Introduction of an Ordinance adopting the Annual Budget for the Fiscal Year 2006-2007 and Appropriating the Necessary Money to Operate the City of San Diego for said Fiscal Year, by authorizing the City Auditor and Comptroller to appropriate and to transfer up to \$1,417,400 from the City’s General Fund Unallocated Reserve to the Public Liability Fund to pay for independent consultant services to be rendered by Edwards Angell Palmer & Dodge LLP in connection with Securities and Exchange Commission Cease-and-Desist Order entered against the City.

**NOTE:** This item is not subject to Mayor’s veto.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)  
ORDINANCES TO BE INTRODUCED WITH RESOLUTIONS TO BE ADOPTED:  
(Continued)

ITEM-S500: (Continued)

Subitem-B: (R-2007-692)

Authorizing the Mayor to enter into an Agreement with Edwards Angell Palmer & Dodge for Independent Consulting Services.

**SUPPORTING INFORMATION:**

On November 14, 2006, the Securities and Exchange Commission (SEC) entered a Cease-And-Desist Order which requires the City of San Diego to engage an "Independent Consultant" for 3 years. The SEC order requires this Independent Consultant (Monitor) to do the following:

- Review and make recommendations regarding the City's policies, procedures and internal controls with respect to disclosures made in bond offerings, financial statements, and rating agency presentations; to review and make recommendations regarding the hiring of internal and external personnel for disclosure functions; and to review and make recommendations for training provided to City personnel, including the Offices of the Mayor, City Council Members, City Attorney, and City Auditor & Comptroller.
- Make recommendations concerning these policies, procedures and internal controls with a view to assuring compliance with disclosure obligations.
- In years 2 and 3, assess whether the City is complying with its policies, procedures and internal controls, whether the City has adopted any of the Monitor's recommendations from prior years and whether such recommendations were effective.
- Within 120 days after the date of engagement, issue a report describing the review performed and the conclusions reached and include any recommendations deemed necessary to make the policies, procedures and internal controls adequate and address the deficiencies identified in Section III.D. of the SEC Order. Similar reports will be required to be issued within 60 days of the anniversary of the engagement in years two and three. These reports will be presented to both the City and the SEC.

The Kroll Report recommended the retention of such monitor in its report dated August 8, 2006. Based on the Kroll recommendation, the Mayor's Office began initial interviews with potential candidates in September of 2006. Members of the City Council, the City Attorney's Office and the Independent Budget Analyst participated in this process. More than 15 candidates were reviewed and 4 candidates, each of whom the City believed would be acceptable to the SEC, received personal interviews.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)  
ORDINANCES TO BE INTRODUCED WITH RESOLUTIONS TO BE ADOPTED:  
(Continued)

ITEM-S500: (Continued)

**SUPPORTING INFORMATION:** (Continued)

As a result of this interview process, the Mayor recommends the authorization of the contract for Independent Consultant/Monitoring services with Mr. Stanley Keller, a partner in the law firm of Edwards, Angell, Palmer & Dodge, LLP. Mr. Keller's resume and the resume of his law firm are attached. The contract will expire on March 1, 2010. The total contract amount is not to exceed \$4,000,000.

**FISCAL CONSIDERATIONS:**

This item authorizes funding in the amount of \$2,000,000 to provide the Independent Consultant/Monitoring services through the end of Fiscal Year 2007. These costs will be allocated on a full time equivalent position (FTE) basis consistent with the Council Policy, and as detailed in the attached. This item also authorizes the City Auditor and Comptroller to appropriate and to transfer up to \$1,417,400 from the Unallocated Reserve to the Public Liability Fund to pay the General Fund portion of this Fiscal Year 2007 expenditure. After this transfer the Unallocated Reserve balance will be \$40,236,233.

Dubick/Goldstone